

**PROPER BUSINESS RATIOS
IN THE
DP SERVICES SECTOR**

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INPUT**

INPUT



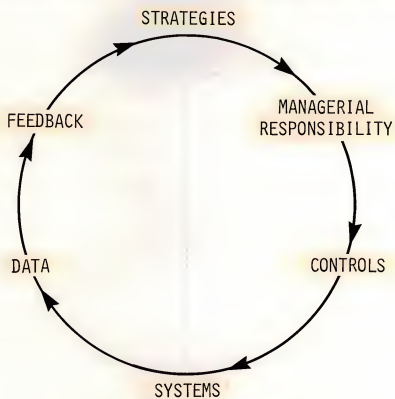
AGENDA

- IMPORTANCE OF CONTROLS
- BUSINESS RATIO SURVEY DATA
- PROPER BUSINESS RATIOS

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STRATEGY-CONTROL-FEEDBACK CYCLE



INPUT

USES OF CONTROLS

- STANDARDS
- TARGETS
- EVALUATION
- COMPARISON

INPUT



INPUT STUDY

- 30 EXECUTIVES INTERVIEWED
- REVENUE RANGE: \$1-34 MILLION
- EMPLOYEES: 25-480
- ALL DELIVERY MODES INCLUDED
- OVER 700 CONTROLS USED

INPUT



CONTROLS BY FUNCTION

SALES	36%
GENERAL & ADMINISTRATION	22
SUPPORT	14
MARKETING	13
OPERATION	6
DEVELOPMENT	5
PROFESSIONAL SERVICE	4

INPUT



SALES CONTROLS

- PROSPECTS
- SALES ACTIVITY
- CUSTOMER DATA
- ORDERS/REVENUE
- PERFORMANCE
- EXPENSES

INPUT



GENERAL & ADMINISTRATIVE CONTROLS

- CASH FLOW
- PROFITS
- REVENUES
- HUMAN RESOURCES
- EXPENSES

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SUPPORT CONTROLS

- PRODUCT ACTIVITIES
- CLIENT ACTIVITIES
- STAFFING
- EXPENSES

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MARKETING CONTROLS

- PROSPECT INFORMATION
- CUSTOMER INFORMATION
- PROMOTIONAL ACTIVITY
- MARKET INFORMATION
- PROMOTIONAL EFFECTIVENESS

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MOST DIFFICULT TO CONTROL

DEVELOPMENT	41%
SALES	22
MARKETING	15
SUPPORT	12
OTHER	7
OPERATIONS	3

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IMPORTANT CONTROLS

- CASH FLOW
- PROFITS
- DEVELOPMENT SCHEDULES
- SALES PROSPECTS
- CUSTOMER DATA
- ORDERS & REVENUE
- PROMOTIONAL EFFECTIVENESS

INPUT



EMPIRICAL DATA

- ADAPSO'S OPERATING RATIO SURVEY
 - 200 RESPONDENTS
 - ALL DELIVERY MODES
- INPUT'S ADAPSO COMPUTER SERVICES INDUSTRY SURVEY
 - CENSUS OF > \$10 MILLION COMPANIES
 - SURVEY OF \$.25-10 MILLION COMPANIES

INPUT



INTERPRETING INDUSTRY RATIOS

- HEALTH OF INDUSTRY
- COMPANY CHARACTERISTICS
- COMPANY'S PRODUCTS AND SERVICES
- COMPANY'S SERVICE MODES
- TAX & DUTY LAWS

INPUT



REVENUE GROWTH

	<u>ALL COMPANIES</u>	<u>PUBLIC COMPANIES</u>
PROCESSING SERVICES	11%	16%
SOFTWARE PRODUCTS	41	38
PROFESSIONAL SERVICES	17	15
INTEGRATED SYSTEMS	21	15

INPUT



PRETAX PROFIT MARGINS

	<u>MARGIN (PERCENT)</u>	<u>GROWTH (PERCENT)</u>
PROCESSING SERVICES	13.2	(5.7)
SOFTWARE PRODUCTS	18.3	(4.7)
PROFESSIONAL SERVICES	5.7	(3.4)
INTEGRATED SYSTEMS	12.9	(17.8)

INPUT



PRODUCTIVITY PER EMPLOYEE

	REVENUE (\$ THOUSANDS)	GROWTH
PROCESSING SERVICES	\$55	7%
SOFTWARE PRODUCTS	78	8
PROFESSIONAL SERVICES	49	8
INTEGRATED SYSTEMS	73	14

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NEW SALES AS PERCENT OF REVENUE

PROCESSING SERVICES	17%
SOFTWARE PRODUCTS	81
PROFESSIONAL SERVICES	71
INTEGRATED SYSTEMS	90

INPUT



TOTAL SALARIES AS PERCENT OF REVENUE

PROCESSING SERVICES	46%
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SOFTWARE PRODUCTS	43
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PROFESSIONAL SERVICES	40
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INTEGRATED SYSTEMS	40
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INPUT



SALES SALARIES AND COMMISSIONS

PROCESSING SERVICES	8%
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SOFTWARE PRODUCTS	8
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PROFESSIONAL SERVICES	6
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INTEGRATED SYSTEMS	6
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INPUT



COMMISSIONS/SALES SALARIES

PROCESSING SERVICES	24%
SOFTWARE PRODUCTS	42
PROFESSIONAL SERVICES	20
INTEGRATED SYSTEMS	20

INPUT



TECHNICAL SUPPORT SALARIES

PROCESSING SERVICES	4%
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SOFTWARE PRODUCTS	7
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PROFESSIONAL SERVICES	NA
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INTEGRATED SYSTEMS	7
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INPUT



MARKETING SALARIES

PROCESSING SERVICES	2%
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SOFTWARE PRODUCTS	4
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PROFESSIONAL SERVICES	2
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INTEGRATED SYSTEMS	7
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INPUT



PRODUCT DEVELOPMENT/ ENHANCEMENT SALARIES

PROCESSING SERVICES	6%
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SOFTWARE PRODUCTS	13
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PROFESSIONAL SERVICES	NA
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INTEGRATED SYSTEMS	19
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INPUT



NON-SALARY EXPENSES

PROCESSING SERVICES	48%
SOFTWARE PRODUCTS	43
PROFESSIONAL SERVICES	14
INTEGRATED SYSTEMS	74

INPUT



TRAVEL AND ENTERTAINMENT

PROCESSING SERVICES	2%
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SOFTWARE PRODUCTS	6
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PROFESSIONAL SERVICES	2
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INTEGRATED SYSTEMS	3
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INPUT



MARKETING RESEARCH

PROCESSING SERVICES	0.2%
SOFTWARE PRODUCTS	0.7
PROFESSIONAL SERVICES	0.3
INTEGRATED SYSTEMS	0.1

INPUT



ADVERTISING

PROCESSING SERVICES	0.5%
SOFTWARE PRODUCTS	2.4%
PROFESSIONAL SERVICES	0.2%
INTEGRATED SYSTEMS	1.0%

INPUT



SEMINARS AND TRADE SHOWS

PROCESSING SERVICES	0.2%
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SOFTWARE PRODUCTS	0.9
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PROFESSIONAL SERVICES	0.2
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INTEGRATED SYSTEMS	0.4
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INPUT



COMPUTER SYSTEM COSTS

PROCESSING SERVICES	16%
SOFTWARE PRODUCTS	5
PROFESSIONAL SERVICES	NA
INTEGRATED SYSTEMS	12

INPUT



"PROPER" RATIOS PROCESSING SERVICES

- COMPUTER OPERATIONS
- RESEARCH & DEVELOPMENT
- MARKETING
- SALES
- GENERAL & ADMINISTRATIVE
- PRETAX PROFIT

INPUT



“PROPER” RATIOS SOFTWARE PRODUCTS

- COMPUTER OPERATIONS
- RESEARCH & DEVELOPMENT
- MARKETING
- SALES
- GENERAL & ADMINISTRATIVE
- PRETAX PROFIT

INPUT



“PROPER” RATIOS PROFESSIONAL SERVICES

- COMPUTER OPERATIONS
- RESEARCH & DEVELOPMENT
- MARKETING
- SALES
- GENERAL & ADMINISTRATIVE
- PRETAX PROFIT

INPUT



"PROPER" RATIOS INTEGRATED SYSTEMS

- COMPUTER OPERATIONS
- RESEARCH & DEVELOPMENT
- MARKETING
- SALES
- GENERAL & ADMINISTRATIVE
- PRETAX PROFIT

INPUT

